UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

Fair Isaac Corporation and myFICO Consumer Services, Inc., Plaintiffs,	CIVIL ACTION NO. 06-4112 (ADM/JSM)
vs.	
Experian Information Solutions, Inc.; TransUnion, LLC; VantageScore Solutions, LLC; and Does I through X, Defendants.	Courtroom 13 West Tuesday, February 23, 2010 Minneapolis, Minnesota

H E A R I N G O N P O S T - T R I A L M O T I O N S

BEFORE THE HONORABLE ANN D. MONTGOMERY
UNITED STATES DISTRICT JUDGE

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Official Court Reporter - United States District Court
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(2:00 p.m.)

P R O C E E D I N G S

IN OPEN COURT

THE COURT: Good afternoon. Please be seated.

THE CLERK: The matter before the Court is Fair Isaac Corporation and myFICO Consumer Services, Inc. v. Equifax, Inc., et al.

Counsel, would you please note your appearances for the record.

THE COURT: I'm having flashbacks to November, I think.

(Laughter)

THE COURT: Mr. Schutz.

MR. SCHUTZ: Good afternoon, your Honor. It's good to be back. And I'm Ron Schutz and I'm representing the plaintiffs in this case.

THE COURT: All right. Let's see. Let's go ahead and -- Mr. Collyard? Let's put all the appearances on the record.

MR. SCHUTZ: Well, I'll put -- also with me in court today, your Honor, are Mike Collyard, Randy Tietjen, Chris Larus, and in-house counsel for Fair Isaac, Renee Jackson.

THE COURT: All right.

Mr. Milne, we'll start with you.

MR. MILNE: Good morning, your Honor. It's good to

be back. Robert Milne on behalf of Experian, and with me is Chris Glancy, Jack Pace, and Mark Jacobson for Experian.

THE COURT: All right. Mr. Remele doesn't have his own table anymore, but --

MR. REMELE: I know, you're right, your Honor. Good afternoon, your Honor. Good to see you. It's -- Jim Gardner and Dao Boyle are with me for Trans Union.

THE COURT: All right. And, Ms. Berens, I guess you were the one that had your separate own table, but --

MS. BERENS: Yes, and I feel neglected now, your Honor. Barbara Berens on behalf of VantageScore.

THE COURT: All right.

We have a total of five motions in front of me. Obviously, I think the motion to strike won't take a couple seconds, and I think you got word I was allotting roughly 20 minutes apiece per side to divide up however you wish to among the motions.

So I think we'll start with you, Mr. Schutz, with regard to your -- I assume you're going to start with the new trial motion. Maybe we should just orally grant that and begin right away in a couple weeks and do it all over again.

(Laughter)

MR. SCHUTZ: We're ready, Judge.

THE COURT: I'm still in recovery mode. It would take me a little while longer to get ready.

MR. SCHUTZ: Yes, your Honor. I understand you've allotted about 20 minutes a side, so I put together a fairly thin, brief PowerPoint presentation --

THE COURT: Okay.

MR. SCHUTZ: -- I'll hand to your clerk. And the motions have been briefed extensively, you've got a lot of paper and a lot of exhibits, and I do not intend today to cover all of the pending motions. I'm just going to concentrate on these three points in the time that's allotted to me, Judge.

THE COURT: All right.

MR. SCHUTZ: So the three areas that I'd like to cover are, first, our motion for a new trial on the issue of licensee estoppel, then I'm going to talk about the defense and counterclaim of fraud on the PTO, and then I'm going to address the defendants' motion that the case be deemed an exceptional one and that they be awarded attorneys' fees.

First, on the licensee estoppel, I think it's important to recognize that there were three separate defendants in the case and three separate allegations of trademark infringement in this case. And our position that we think is well supported by the facts in the case as I'm going to go through in the documents is that none of the defendants should have been allowed to challenge the validity of the 300-850 trademark. We think there's undisputed evidence at

trial that Experian and TU are licensees and I'll unpack that as we go through this, and then, of course, VantageScore, the third defendant in the room, is controlled by everyone else.

I just noticed that you -- I hope there's a good story behind that, your Honor.

THE COURT: Well, I was doing a triple-toe loop getting ready for the Olympics and missed my landing.

(Laughter)

THE COURT: No. I fell on the ice and fractured my elbow.

MR. SCHUTZ: Sorry about that, Judge.

THE COURT: No problem.

MR. SCHUTZ: So the doctrine of licensee estoppel is established and we cite some cases in our brief, but the **Seven-Up Bottling** case and of course *McCarthy* as well recognizes that the doctrine exists and prevents someone who is in fact a licensee of a trademark from challenging the validity of that mark. So, what is the evidence that was presented at trial? Let's start with Experian.

You'll recall that there was a master agreement with Experian dated April of -- or excuse me. There was a master agreement -- I'll get to that in a second -- and an addendum, and in the master agreement there was a reference to trademarks, there was a reference to optional trademarks, and there was a no-challenge provision.

In the addendum dated April 15th, that addendum included an additional definition of Fair Isaac optional trademarks and it specifically included 300-850, and of course at that time was clearly designated as a trademark, had the TM by it in the agreement and was incorporated by reference back into the master agreement, which was Exhibit 1074. And as you can see in the master agreement itself, there is a no-challenge provision in the master agreement. And it's very clear that there's a no-challenge provision here, and in fact, I don't believe that Experian contends otherwise in their briefing on this issue. Their position is that they -- licensee estoppel should not apply for various equitable reasons that they talk about and that the agreement hadn't been in place that long before the lawsuit was filed. Those do not justify or warrant ignoring the doctrine of licensee estoppel as it applies to Experian in this case. And the agreement which Experian signed, it's a detailed, lengthy agreement. The testimony I believe was that it went through, you know, a back-and-forth drafting process and it says Experian agrees that it will not challenge the validity of Fair Isaac's exclusive rights in the Fair Isaac trademarks, and one of those marks clearly set forth in the agreement is the 300-850 mark.

Moving on to TU, they acknowledge the validity of that mark and took a license to it in the three-way agreement

between Fair Isaac, TransUnion and WaMu, standing for Washington Mutual, and it was an explicit license to TU and its customer. Washington Mutual was a customer of TU and the agreement dealt with the incorporation of TransUnion's version of the 300-850 FICO score.

Your Honor will remember that each of the credit bureaus ran their own data through Fair Isaac's algorithm and this is the agreement I've got on the screen here now. It's a three-way license agreement that again --

THE COURT: So you want me on page 8?

MR. SCHUTZ: I'm on page 8, your Honor.

THE COURT: Okay.

MR. SCHUTZ: It's a three-way license agreement that went through a back-and-forth drafting process. It was signed by John Danaher, and John Danaher was I believe TU's only live witness at trial. His name was on the agreement. As you can see here, there's a clear acknowledgment of the 300-850 trademark. It's in the agreement and this is an explicit provision allowing the use of that mark by WaMu for the TU FICO score, the TU -- the score run through FICO's algorithm with the TU data in it. And again, the doctrine of license estoppel says you take a license, you can't challenge the mark. So, that is the basis of the licensee estoppel issue, your Honor.

With regard to VantageScore, as I mentioned earlier,

VantageScore is controlled by the three credit bureaus, two of whom were defendants --

THE COURT: They were not a signatory to any licensing agreement.

MR. SCHUTZ: They were not signatories to the license agreement, but the general legal principle that an agent should not be able to do what its principal cannot do clearly should apply in this case, and that's what would prevent VantageScore from challenging these marks.

But again, there were three separate trademark allegations here, and had licensee estoppel been applied as we think it should have, it's difficult to say in hindsight what might have happened to the lawsuit against VantageScore. It certainly would have changed various bargaining positions and thinking on various things, and the fact that the defendants were allowed to go forward and challenge the marks put us at -- in a position of extreme prejudice here, your Honor.

Moving on now to our motion for a new trial on the defendants' defenses and their counterclaim of fraud on the PTO, a couple overview points and then we'll go down into some more detail here.

The **In re: Bose Corp.** case, which is the Federal Circuit -- recent Federal Circuit case on fraud regarding trademarks, was the basis, I believe, for the Court's jury instruction on this and in fact I believe was also cited as

support by the defendants for the jury instructions, so I don't think there's any doubt that **Bose**, even though it's a Federal Circuit case, really is the best law on point here. And **Bose** makes it very clear that of course -- and there's no dispute about this -- that the burden is clear and convincing, but it has to be clear and convincing evidence that Fair Isaac knowingly made a false and material representation and that they did so with an intent to deceive. So we have three things here. It has to be knowing, it has to be material, and there has to be an intent to deceive here. **Bose** goes on to state, of course, that fraud has to be proven to the hilt, and importantly here, your Honor, "no room for speculation, inference or surmise, and obviously, any doubt must be resolved against the charging party."

I'll probably reiterate this point in a few additional slides, but going through their brief on this issue, it was striking how many times they made reference to the two key players in this, which were Cheri St. John and Laura Gustafson, with comments like: Ms. Gustafson clearly knew this fact or that fact, no citation to the record. And of course, there could be no citation to the record because Ms. Gustafson did not testify either live or by deposition in this case. And so those statements which they put in their motion which they made arguments about at trial were in fact nothing more than surmise and speculation. That's not enough

under the standard in **Bose** or any clear and convincing standard, for that matter.

So let's look at the two separate statements that the defendants relied upon at trial. You remember that Cheri St. John submitted a declaration and the focus in that declaration --

THE COURT: We heard her by way of videotape as well.

MR. SCHUTZ: She testified by way of videotape deposition. Her declaration was an exhibit at trial. I'm sorry I don't have the exhibit number here on the slide, but the statement that is the subject of the dispute here was in paragraph 12 of her declaration. And very straightforward it says there: "To the best of my knowledge, only the FICO score uses the 300-850 range as a unique identifier for credit bureau risk scores," and there's a lot of argument about, you know, that statement and we're going to get into some things in a minute. It's undisputed that that statement was in fact true. The defendants tried to make an argument that somehow this statement was still trying to pull the wool over the Patent Office's eyes. We need to keep in mind that the Patent Office and the patent examiners in the trademark side of the house are experts in trademark law, they're experts in trademarks, and so they fully would understand and know what the term "unique identifier" meant in this affidavit.

The other distinction that I'll point out here -- I think we may make it later on as well -- there is a substantial difference between the trademark charge of fraud on the PTO regarding trademarks and fraud on the PTO regarding patents. The process in getting a patent is purely an *ex parte* process. That is not true for a trademark. Trademarks are published for opposition and before they in fact issue it can be an adversarial proceeding, so there is a different standard that the court --

THE COURT: Judge Davis wrote on this just recently, didn't he?

MR. SCHUTZ: Yes, he did.

THE COURT: Okay.

MR. SCHUTZ: And there's a difference here.

The other statement that they focused on was Laura Gustafson's statement, and Laura Gustafson was the trademark attorney that represented Fair Isaac here and she made a legal argument and I've set it forth in the slides and it's in the record. And the statement that really is the focus here is the one in the middle of this broader paragraph and I think it's important to focus on the broader paragraph so that you have some context here. Again, we're dealing with the Patent and Trademark Office where we have experts, but the statement that they focused on and really pulled out of context is the one here that says, quote: "300-850 is the credit scoring

scale only for Applicant's credit bureau-based risk products and not for ... other credit bureau-based risk products that competitors develop." And again, her statement was part of a brief that included Cheri St. John's declaration.

Again, no testimony in this proceeding from Laura Gustafson, and the defendants had plenty of opportunity to take her deposition and did not. Here's why the jury's finding is erroneous, your Honor, moving on to slide 11.

Looking at the three issues, falsity, materiality and intent to deceive, no evidence that any of that existed here, much less clear and convincing evidence. The defendants admitted that Cheri St. John's statement was true, no evidence that Gustafson intended to deceive anybody, she never testified, and neither statement was material, so let's look at the support in the record, really undisputed support, that Cheri St. John's statement was true.

The only company ever to use 300-850 was TU. There was a lot of evidence about various and sundry scores and ranges, especially three-digit scores and ranges, some close to 300-850, but only one that was exactly 300-850, and that was TU's score. But TU adamantly took the position that it never used 300-850 as a unique identifier. John Danaher admitted that. TU's counsel in closing argument went out of his way to say, quote: "So of course we weren't using it as a unique identifier," and in fact, Defendants' expert

Robert Anderson admitted that nobody else had ever used it as a unique identifier.

Moving on to Gustafson, no evidence that she intended to deceive the Patent and Trademark Office. Again, they did not depose her, and this is a case in which the defendants are seeking $8 million for defending a trademark case, $8 million, and they didn't spend a penny to depose the lawyer that prosecuted this application.

And again, the brief makes reference to what Gustafson knew with no citations because there can be no citations, because we don't know what she knew, what she intended or what she didn't know, because she never testified. And it's their burden on that issue, so it's not as if any inference can be drawn against us about what she knew. It's their burden on this, your Honor. Again, pure surmise and speculation about what she did. So now let's look at the materiality issue.

Neither of the statements were material as a matter of law. Fair Isaac, no duty to disclose TU's use to the Patent and Trademark Office even if we had known about it. So even if you take as true that somehow Gustafson knew about the 300-850 or that Cheri St. John did -- by the way, hotly contested issues at trial, in our view -- those were not material, because there's no duty to disclose third-party use if the person prosecuting the trademark believes its rights

are superior, and that was clearly the case here. We were in the market first with 300-850, they copied us is what happened, and at trial that was basically admitted, all right? So the third-party use would have no bearing on this. It's simply not relevant and not material.

Of course, the defendants now, they assert after trial for the first time that St. John's reference as a unique identifier fraudulently implied Fair Isaac had used it as a trademark by February 2005, okay? This is a new argument they've made, they didn't make this at trial, but they're making it post-trial. This fails as well, because we in fact were using 300-850 as a unique identifier when she made the statement in paragraph 12 that the defendants have admitted was a true statement.

What's the evidence on that? And again, this is going into the weeds just a little bit on trademark application, but this was an intent-to-use application, and part of the process in an intent-to-use application is that sometime down the road you submit a specimen of use. We had four trademarks, one of which was just what I'll call the raw 300-850, and the specimen of use for that 300-850 is the exemplar, Plaintiff's Exhibit 6, I believe, that I have -- or part of Plaintiff's Exhibit 6 that is on screen shot 16 here, and that's the seal that you see. So the seal that includes 300-850 in it was the use of our mark 300-850, and we

presented many documents showing that prior to February 2005 we were using at least the 300-850 in conjunction with or as part of the seal.

In addition, Keri Kramers-Dove, our witness, testified when we started using that and we've set forth the testimony and citation to the transcript and she said in 2004. And again, no evidence that St. John believed that we did not use it as a trademark.

Finally, your Honor, I'd like to address a little bit the exceptional case issue. Defendants are seeking $8 million to defend a trademark case. Not just any trademark case, but a trademark case where two of the three defendants took licenses, where we owned four federal trademarks. We walked into court with four federal trademark registrations. Undisputed evidence of intentional copying and undisputed evidence that there was -- or the defendants admitted that there was confusion, actual confusion in this case.

The case law is clear, exceptional means exceptional, and trademark cases are different than patent cases. The defendants cite a lot of patent cases where, again, because of the different nature of a patent prosecution and a trademark prosecution, a finding of fraud on the Patent Office in a patent case appears in some of the cases to support an award of attorneys' fees in situations that clearly would not happen in a trademark case. And of course, in this

case the defendants are relying almost exclusively on the fraud finding to justify their request that the case be deemed exceptional.

It's curious at one level and I suppose a person could draw some other inferences, but there are cases in this district that have dealt with the issue of whether a trademark case is an exceptional case and I've got them on slide 19. There's the **Transclean** case, the **Scott v. Mego** case, and the **Scott Fetzer** case.

THE COURT: Are there any cases that deal with a fact pattern where there's been a jury finding of a fraud on the Trademark or Patent Office, for that matter? Most of the cases, as I recall, are in the summary judgment context.

MR. SCHUTZ: Could be, your Honor. You know, I'd have to go back and look at the procedural posture of the case, but a couple things are clear from the case law, one of which is that despite the defendants trying to say that the **Aromatique** case out of the Eighth Circuit, which was a *per curiam* opinion, three different judges writing, does not support the position that a finding of fraud means you must therefore find the case to be exceptional. You cannot get that reading in **Aromatique**. So we have not found any case that would support that proposition, that you find fraud, the case is automatically exceptional. No case that supports that.

THE COURT: But it would be a factor, wouldn't it? Wouldn't it be something we should look at?

MR. SCHUTZ: Oh, we're not arguing that a finding of fraud, like any other host of factors in the case, could be a factor the Court could consider. I mean, you have to consider everything that happened in the case and that's what we're urging the Court to do here. We think the fraud finding should be set aside.

THE COURT: I understand.

MR. SCHUTZ: But looking at, you know, the state of the case we had, the licenses, the copying, actual evidence of actual confusion, the four federal trademark registrations. All of that evidence, even with the jury finding of fraud, does not support an exceptional case finding in this case, but the defendants conveniently ignore in their briefing the cases where there was no finding of fraud -- excuse me -- where there was no finding of an exceptional case even where a plaintiff lost in here.

So, what did this case look like out of the box? I mean, out of the box, we filed this case in October. As of that time, both Experian and TU acknowledged that they had trademark rights. And, you know, your Honor mentioned summary judgment. Of course, we overcame a summary judgment motion to get --

THE COURT: And a JMOL motion.

MR. SCHUTZ: -- And a JMOL motion to get to trial on the case. So to find it exceptional under those circumstances, we would argue, is not something there's precedent for.

We also had extensive common-law trademark rights. We own four federal registrations. We uncovered -- after discovery, after we filed the suit and we start digging into their records, we uncover a substantial amount of incriminating evidence that they intentionally copied our mark, and we introduced several of these documents and referred to them repeatedly through the trial on the mimic, keep close, mirror language. We don't think there's really any dispute about what the defendants did in terms of coming up with their numbers. It was clearly with a view of either being exactly 300-850 or as close as they thought they could get to it.

And then actual customer confusion. We presented a lot of evidence on actual customer confusion. John Danaher, TU's executive, got up here on the stand and basically admitted that people were confused about what they were buying. And with regard to Experian, they developed a document that they would give to their call center operators that, you know, right out of the box recognized that people would be calling in thinking they purchased a FICO score when in fact they had purchased something else.

So, we've got evidence of actual confusion, evidence of copying, all of that as we move in. And, Judge, I think that I've kept pretty close to my --

THE COURT: Well, I think Mr. Collyard had a note that you should probably read, but I'm going to give you 30 minutes. There's quite a few issues here. So if you're not done, why don't you take a few minutes to --

MR. SCHUTZ: Well, actually, Judge, what I'd like to do is have a few minutes in rebuttal --

THE COURT: Okay. That's fine.

MR. SCHUTZ: -- because they're going to get up, so I'll take whatever time the Court is willing --

THE COURT: Okay. I think you used 25 now, so we'll give you five minutes additional.

MR. SCHUTZ: Right. Thank you, your Honor.

THE COURT: Mr. Milne, you seem to be in the driver's seat there with regard to motions. No?

MR. MILNE: Well, actually, we're going to split the argument, your Honor.

THE COURT: All right.

MR. MILNE: Mr. Glancy is going to take the fraud issues and --

THE COURT: All right. I'll give the defendants 30 minutes total instead of 22.

MR. GLANCY: Your Honor, before I begin -- and by

and large, many of the points made by Mr. Schutz are addressed in our brief and I don't intend to belabor those points here today, but I would like to address some specific things that he stated.

THE COURT: Okay.

MR. GLANCY: And before I begin, I think it's helpful to actually remind everybody about what we're talking about when we're talking about the plaintiff's purported trademark.

Is this on? Is this working?

(ELMO adjusted)

MR. GLANCY: And this is a printout from Fair Isaac's website from 2001 that they claim was their first use of the 300-850 trademark. That's this number here and this number here, and that's how they used 300-850 in 2001, in 2002, in 2003. In 2004 they put it into the gold seal, but pretty much by and large they continued to use it in descriptive sentences in 2004, 2005. After the suit was filed in 2006, continued to use it descriptively.

I'll get to the seal in just a moment, but I think that it's important to realize when they filed their trademark application what it is they were setting out to do. They were setting out to get patent-like protection over a range of numbers in order to exclude competitors from using similar or overlapping ranges of numbers and pretty much just occupied

the field of three-digit ranges that they knew was a valuable competitive advantage. This is no mere trademark case. It has very many patent overtones to it.

Now, Mr. Schutz discussed some of the standards that apply from the **Bose** case, and in fact the jury in this case was properly instructed about every specific element of fraud on the Trademark Office and they were instructed about the standard of clear and convincing. If Mr. Schutz wanted some additional instruction in **Bose** that somehow didn't get in there, it was incumbent upon him to ask for that. He didn't, his side didn't, and so therefore that is waived.

Now, I also heard the word "undisputed" many, many, many times, and I think it's -- it strikes me when you see the word "clearly" in a brief, it usually means that something is not clear. In fact, I think just about everything that he stated that was undisputed is in fact disputed, and if I could just point out a few.

Unique identifier. The first statement he said was that the two fraudulent statements, Ms. St. John's statement that to the best of her knowledge, only the FICO score uses the 300-850 range as a unique identifier for credit bureau risk scores, that is -- and they say that it's undisputed that that's true. That is entirely disputed and there's ample evidence that that is actually false.

First of all, the question arises as to whether or

not "unique" -- what's the meaning of these two words, "unique identifier." It has no meaning in trademark law. There's nothing in the Trademark Manual of Examining Procedure that says "unique identifier" means thus and such. These are lawyer hedge words that were thrown in there in order to imply, clearly, that they're using it to identify the source of their products. Otherwise, why include that in the statement. So clearly she's trying to imply that 300-850 was used as a trademark for credit bureau risk scores, and this was in 2005.

Now, was it used as a trademark? No. We have the evidence over and over again of their descriptive use. We also have the expert testimony of Robert Anderson, uncontradicted, who said over and over again that these uses were descriptive uses and these uses were not trademark uses.

Turning to the seal, Mr. Anderson also reviewed the specimen that Mr. Schutz pointed out and he was asked whether or not the 300-850 that appears in the seal, whether or not that was trademark use of 300-850. He said no. He said that's only descriptive use, and it doesn't support registration, doesn't confer trademark rights any more than the words "officially certified," which also appear in the seal do. So it is in fact disputed and the jury was free to take that evidence and come to their own conclusions about the truth or falsity of that statement.

And in fact, when Ms. St. John says to the best of her knowledge, they actually had the videotape testimony where they could assess her demeanor and take a look at the circumstances. This is a woman who Ms. Keri Kramers-Dove described as a person who knew what was going on in the industry. If anybody in the company knew, she knew.

Now, as far as the second false statement, it's even more clear, it's even more stark. There's no hedge word there, there's no unique identifier, there's no "to the best of my knowledge." Laura Gustafson, the attorney, says 300-850 is the credit scoring scale only for applicants' credit bureau risk-based products and not -- she goes even further and says and not for other credit bureau-based risk products that competitors develop.

THE COURT: How did that statement get in front of the jury, though? Ms. Gustafson was not called at trial.

MR. GLANCY: No, she was not, but Mr. Anderson as the expert on the stand went through and explained that that statement was material in the --

THE COURT: So it's in the record from Anderson as the -- testifying that that was part of the materials; is that how it came --

MR. GLANCY: Right. It's also as part of the official file history of the trademark prosecution of that particular trademark.

THE COURT: Was that offered during trial?

MR. GLANCY: Yes, offered and received without objection.

And so that statement's very clearly false because TU was at the time using 300-850. But more than that, actually, it was materially misleading, because the suggestion is, look, nobody's going to be harmed if we issue this registration for 300-850 while Experian was using 330-830, which is very similar. And so here we have Fair Isaac saying to the Trademark Office: Give me a registration because nobody else is using this, and as soon as they get it, they turn around and sue Experian, and they sue VantageScore for 501-990. So even though it's materially false as to TU, it's also materially misleading as to Experian and VantageScore and numerous other competitors.

Now, there's actually a third false statement which we point out in our brief, which is the repeated characterization of 300-850 as a unique identifier and saying over and over again that Fair Isaac used it as a unique identifier. As they explained, they never used it as a trademark and the jury was entitled to find that.

Now, getting to the standard of materiality, this is a different argument than Plaintiffs raised in their brief. In their brief they said the standard of materiality was the "but for" standard, and as we pointed out in the

Gilbert/Robinson case, it is not the "but for" standard unless you're seeking damages. In this case it is, as your Honor instructed, what is important to a reasonable examiner in deciding whether or not to let the registration issue.

Now, today Plaintiffs are arguing that FICO had no duty to disclose this information because there's no duty to disclose third-party use of a mark if it believes that the rights of such others are not superior. Well, that case that's cited and all the other cases that address this are correct insofar as when you file an initial application there's no duty to disclose that others are using the mark in an infringing manner, but -- and here's the big but -- when you make a representation to the Trademark Office, you must be candid, you must be truthful. No half-truths, no tricky business, no throwing in unique identifiers and hedge words so that you can later claim that you were telling the truth. So that's not an applicable standard of materiality in this case, because the statements were made affirmatively as part of the prosecution process.

Now, Plaintiffs also argue that somehow Mr. Anderson and Mr. Danaher admit that Fair Isaac was using 300-850 as a trademark and that's just not the case. If you take a look at their testimony, Mr. Anderson testified that no other company was using 300-850 as a unique identifier, which was true. Nobody has ever used a credit score as a trademark in this

industry, including Fair Isaac. Mr. Anderson never testified that Fair Isaac used 300-850 as a trademark, and to suggest otherwise is just ludicrous. I mean, he actually said over and over again that 300-850 was being used descriptively and not as a trademark. The same goes for Mr. Danaher, who testified that he never used 300-850 as a trademark, but again, it's absurd to transport that and say that that means that he's conceding that Fair Isaac was using it as a trademark. The two just don't -- it's a *non sequitur*.

Turning to the issue of intent here, I'd submit that there's more than enough evidence for a jury to find that there was intent to deceive, not only -- an intent to deceive is almost always proved through circumstantial evidence and the circumstantial evidence here is overwhelming. Not only were highly material misrepresentations made to the Trademark Office, but you also had other indicia of bad faith, arguing, for example, that the mark was arbitrarily selected when that argument has absolutely no relevance in the prosecution of a trademark application, as Mr. Anderson testified, not disclosing the manner in which they actually used the trademark when they're arguing to the trademark examiner that they're using it as a unique identifier, as a trademark.

Now, I agree they didn't technically have an obligation to disclose it, but here what we're saying is that's evidence of a scheme of bad faith, trying to pull the

wool over the eyes of the examiner. There was misdirection in other arguments throughout that paper, including the representation that the radio call indicators indicated that 300-850 could be informational and a trademark.

As for the knowledge of both Ms. Gustafson and Ms. St. John, I think there's more than enough evidence for the jury to conclude that they knew that these statements were false.

For example, there is no evidence that 300-850 was ever used as a trademark, so how could Ms. Gustafson in good faith, who's under a duty to make an investigation before making any factual representation to the Trademark Office, how could she then argue that it was a unique identifier over and over again? And Ms. St. John, testimony showed, was very well aware of what her competitors were doing and she was copied on many e-mails that referenced competing trademarks, including TU's 300-850 mark.

Now, if I could turn just briefly to the exceptional case standard for awarding attorneys' fees and just address some points that were made there.

It's true that there aren't very many cases of fraud on the Trademark Office. It's not as common as in patent practice, but trademark cases do borrow a lot in this instance from the patent cases as the Eighth Circuit mentioned in the **Gilbert/Robinson** case. And we do see in patent cases that it

is almost routinely granted that the defendant gets attorneys' fees when there's been fraud on the Patent Office, and we think the same principles apply here, that the fraud in and of itself renders this case exceptional.

THE COURT: All by itself? I don't have to go beyond that issue?

MR. GLANCY: But if you want to go beyond, there are other reasons why this case is exceptional. If I could just go through a few of them. They're listed in our brief.

First, the fact that they brought this suit without any evidence of secondary meaning, without any kind of marketing plan. They never even tried to make this thing a trademark, and yet they forced us into a jury trial of three weeks where they were asserting $500 million worth of damages and put these companies to that burden. The fact that they asserted a half a billion dollars' worth of damages in itself makes this an exceptional case. There is no support for any kind of award of that type in a trademark case.

Now, the fact that they never conducted a survey to show secondary meaning, even though that was the critical issue in this case and they had plenty of time and money to do so, the fact that the only survey that they offered was the Berger survey. The only expert they could find to support their side was Mr. Berger, and I don't think I need to say any more about that other than that his testimony was extreme --

was beyond not credible, I would submit. It was beyond the pale of acceptable behavior in a court.

The evidence further showed that they never thought they had a trademark. They never put it on their list of trademarks, they never had a branding campaign, they never put the TM or the R next to it. They were using this as a competitive hammer against TU, Experian, Equifax and VantageScore. They didn't care about the brand.

And finally, there's evidence from internal e-mails that they made a conscious decision to sue, to put their money into paying their lawyers to sue the defendants rather than put that money into building a brand, and I submit that that also is evidence that this case was frivolous from the get-go.

That's all I have.

THE COURT: What should I make, if anything, of the fact that I chose to allow it to go forward, denied summary judgment and denied the motion for judgment as a matter of law? Is that a factor I should consider?

MR. GLANCY: Well, we cited some cases that address this very point in our brief. The fact that trademark cases are extremely factual in nature and that summary judgment is rarely granted in trademark cases I think is one reason why I don't think that summary judgment itself is a persuasive factor to consider. But more than that, I think from reading your Honor's opinion that two of the most persuasive reasons

why summary judgment was denied was because they had federal registrations and because they had the Berger survey.

Now, we had a word limit and we couldn't -- we did not prevail on convincing you as a matter of law that those two things shouldn't defeat summary judgment, but that the trademark registrations were fraudulently obtained, which the jury decided, and that the Berger surveys were proven to be essentially worthless as evidence I think says a lot about why they were able to prevail at summary judgment.

THE COURT: So if I had relaxed the word-limit rule, you would have convinced me? Is that what you're saying?

MR. GLANCY: I don't know if -- I would have tried, anyway.

THE COURT: All right. Thank you.

Mr. Milne.

MR. MILNE: Thank you, your Honor. I'm going to address the licensee estoppel issues, but before I do, I would just add to what Mr. Glancy just said and say that with respect to the summary judgment denial and its impact on your thinking here about exceptional case, I would go back to -- I certainly echo what Mr. Glancy said, but say fraud is really a key here. It is rare. And the fact that fraud was proven by this jury -- proven to this jury and found by this jury, it's hard for me to imagine what could -- if not fraud, then what? What is an exceptional case?

I also want to comment, though this doesn't relate directly to the licensee estoppel issue, on Mr. Schutz's repeated reference to all this evidence of copying that he said was presented to jury. Basically, he was talking about two documents that were presented to the jury, both relating to time periods in the early 2000s when the credit bureaus were selecting -- when TransUnion and Experian were selecting the score ranges for the Plus Score and for the TransRisk Score.

THE COURT: This is the Project Trident era.

MR. MILNE: No, no, no.

THE COURT: No, this --

MR. MILNE: Before the Project Trident era.

THE COURT: Okay. All right.

MR. MILNE: Before that. And there was ample evidence at the trial about how at that time -- in the case of Experian, the Plus Score was introduced in 2003, and there was ample evidence at trial that during that period before and certainly after as well, but clearly before the Plus Score had been launched, there were lots and lots of scoring services using ranges that overlapped 300-850, including a number of consumer scores, including the Experian National Consumer Score, which was introduced right around the same time that Fair Isaac introduced its consumer score, and that this -- copying -- the only way in which copying can matter for a

trademark case is if it's done with the intent to commit trademark infringement, to pass yourself off as the other guy's product. And since there was no suggestion, nobody was claiming trademark rights at that period of time, the idea that that copying -- and, of course, this was argued fully to the jury and the jury obviously agreed with the defense position here -- that that copying, to the extent you can even call it copying, was not pertinent to the trademark issue, so the continued reference to all this copying I just think needs to be put in its proper context.

Very briefly then on the estoppel issues. I would start with VantageScore and note that there is no authority that we're aware of that would say that a party -- that an entity that is not party to a license agreement could ever be subject to an estoppel claim.

THE COURT: It sounds like the theory is one of agency. What's your understanding of the law --

MR. MILNE: And I am not aware of any law that would say that an agency theory could then be bootstrapped into an estoppel theory, and here there are no facts to support that. The two defendants on these trademark claims, TransUnion and Experian, are two of the three owners of VantageScore. There's no claim of veil piercing or alter ego or anything like that, and there was never a claim against the third owner, Equifax, that Equifax had a consumer score that

infringed. So, you know, the idea that these two credit bureaus somehow controlled VantageScore when there's a third owner out there -- and had we gotten into this at trial, it would become clear that basically decisions are made with unanimity among the owners of VantageScore, LLC -- there's just no factual support and no legal support for some kind of agency theory here. In fact, as we cite in our brief, the excerpt from the *McCarthy* treatise, that says: "Other parties, even those 'closely affiliated' with a licensee, are not foreclosed" under an estoppel theory.

And then the idea that, well, we're dealing with three separate claims here, I don't know how that makes sense. If VantageScore -- let's just assume a hypothetical lawsuit with VantageScore only challenging the validity of the trademark here and succeeding. The fact of that judicial determination of invalidity would then serve as -- I mean, how in any feasible way could Fair Isaac then turn around and assert that trademark against the other two bureaus? I just don't see how that works. So, you know, that should be the end of it. Your Honor has already considered these issues and I think come to the right decision.

I will just comment briefly on the Experian situation and some of this is echoed by what Mr. Glancy said and we discuss this in the briefs. The **Lear** case out of the Supreme Court talks about circumstances under which the rights

of contract can be overshadowed by public policy considerations. Now, granted, the **Lear** case came up in the context of a patent, but the court since **Lear** has looked at the **Lear** factors, the **Lear** test, in the context of trademark cases and asked the question whether the trademark issue in play there is one that implicates these public policy concerns about systemic competition, you know, is the assertion of this allegedly invalid trademark going to materially impact competition.

Now, in many trademark cases that may not be true. That may not be the case. It may be a very narrow-bore case. This is not that case. This is a case where Fair Isaac was taking a position -- and there was ample evidence at trial -- that lenders prefer three-digit scores. There's this issue about granularity and having enough of a range to adequately capture the gradations of risk, and Fair Isaac was taking the position that this entire range of numbers, even a slight overlap, would infringe, and the practical effect of that, if successful, would be to really substantially impair competition. And so we would submit that the **Lear** factors clearly apply in this case.

And then when you layer on top of that -- and we talk about this in the brief. We cited authority for the proposition that a license will not bar a challenge where you have fraud, also where it's of short duration, and that's

clearly the case with respect to the Experian license here. The specific license that relates to -- that involved the no-challenge provision was entered into in the early part of 2006, just months before this lawsuit was filed, and there was no -- basically, there was no negotiation over the insertion of 300-850 as a trademark covered by this no-challenge provision. It wasn't negotiated, there was no substantive discussion, there was no consideration. The royalty structure wasn't changed as a result of this new thing being put onto the table. So the fact of these competitive considerations, fraud, the lack of any significant negotiation, et cetera, we say independently would support Experian being able to challenge the validity.

And I'll defer to TU counsel if they want to address the specifics around their claim.

THE COURT: All right. Thank you.

MR. MILNE: Thank you. Oh, your Honor, one last point, which is that with respect to our fees motion, there was some issue about whether your Honor wished to see the actual underlying time records and we are prepared to produce those and to -- you know, if your Honor would like to see them, we would do that and we'd make those available to Fair Isaac counsel as long as it was on some kind of attorneys-eyes-only basis, et cetera. So if your Honor would like that, we'd be happy to.

THE COURT: All right. I'll keep that thought in mind.

Mr. Pace, you looked like you were getting up to say something. Was that on the attorneys' fees issue?

MR. PACE: He just said it, your Honor.

THE COURT: All right. I think we're ready for Mr. Schutz's rebuttal, I guess.

MR. SCHUTZ: Thank you, your Honor. Just a handful of points here in the time I've got left.

First of all, this case alleged infringement of three trademarks, 300-850, 330-830, 501-990. This was not a case where we came into court and said, "Judge, we need an advisory opinion that we get to exclude every possible three-digit to three-digit range." They keep saying that it was about three-digit ranges and that we wanted to occupy the field. Nothing could be further from the truth. In fact, repeatedly we made reference to pick a different range, 0-300, 1000-2000. There were all kinds of ranges they could have --

THE COURT: Were there any three-digit ranges that were left available?

MR. SCHUTZ: Sure, 000 or 001-300. 001-300 -- and do you want to talk about granularity? That's 300 points of granularity. There was sufficient granularity there and they could have done that, but they chose not to. So it's not a case about our trying to preempt three-digit fields.

Next point. On this issue of unique identifier in paragraph 12 of Cheri St. John's affidavit. The theory that they have put forth at the motion stage here now is not a theory that was argued to the jury. It was simply not a theory that was presented. The issue on unique identifier was whether Cheri St. John, or Laura Gustafson, or anybody at Fair Isaac knew that TU was using 300-850. That's what was the subject of a lot of cross-examination, the subject of their trying to get in Craig Watts' documents. I mean, that was the whole purpose of their trying to get in the Craig Watts-related documents. It was not this new theory that they've got now, which is that the unique identifier was that Fair Isaac was not using it as a unique identifier. And of course, I covered in my initial presentation that in fact we had been using the seal as of 2004, well before Cheri St. John put that in.

With regard to the comment -- some other arguments they're making about supposed fraud, that we said to the Patent Office it was descriptive when we had not used it as descriptive. Well, the Patent Office, they make that determination. We submitted all that evidence to the Patent Office. It decided that the mark was in fact not descriptive. The fact that Mr. Anderson got up here and testified on that issue -- and he did so, by the way, over our objection to him going beyond merely practice and procedure. He moved beyond

this is how you get a trademark to let me tell you what I think and how the case should be decided, because that's in essence what he did here.

They also talked about our making statements to the Patent Office on how the mark was selected, that it was arbitrarily selected. We did put that in here. We're dealing with patent experts. We didn't get the trademark on that basis. It was just something else that's in there. The Trademark Office clearly knows the standards for patentability here.

But apparently what we've got, according to the defendants, is this scheme. There's this scheme that was hatched from the beginning that Ms. Gustafson was an integral part of, and this scheme was just to defraud the Patent Office and then take these marks and stifle competition. If that was the scheme and if that's really what they believed, they should have asked Ms. Gustafson: "Is that what you intended to do?" or at least asked her what she was thinking and not to spend $8 million defending the case, but not one penny to find out what Ms. Gustafson actually thought. No testimony from her.

Couple other facts. They never opposed the mark. These are sophisticated -- this is an inference you could draw from the record, your Honor. These are sophisticated companies with lots of lawyers, lots of money, lots of their

own trademarks. You could draw an inference that they know what's going on in the Trademark Office. They never opposed our marks. Not only did they not oppose our marks, but when those marks were put in contracts, they never said, "Whoa, whoa, whoa. Wait a minute. 300-850, that's not a trademark. We're not going to agree to that." No. They not only agreed to it, but in the case of Experian, there was a very explicit no-challenge clause in the master agreement between Experian and Fair Isaac. So to sit there and say that they're, you know, shocked that there's trademark rights here when in writing they acknowledged that just simply doesn't hold water.

There was also a statement made here in court today and in the briefs that other facts support finding an exceptional case, one of which is that we did not do a secondary meaning survey. Well, let's step back a second and let's ask this question: When does one need to do a secondary meaning survey, if at all? It certainly isn't when you've got a federally registered trademark, because you have it. It's -- you don't need to prove secondary meaning. You only need to -- secondary meaning only becomes an issue when the mark is found to be descriptive. That didn't happen until your Honor's summary judgment ruling, which was after discovery had closed, after expert reports had been done. At that point -- I mean, we walk in with these marks that we believed, believe today, are in fact not descriptive, that we were entitled to

these, and to now come in say, well, you should have done a secondary meaning survey, there was no time for us to in fact do a secondary meaning survey.

The summary judgment ruling that your Honor made was not as represented at the podium here by opposing counsel. On page 23 of our slide we actually have the Court's actual language, which is at its Memorandum Opinion at page 43. The Court said -- this is how we got to proceed with the trademark case: "The evidence identified" -- I'm quoting:

"The evidence identified by Fair Isaac lends support to the inference that Defendants intentionally copied Fair Isaac's 300-850 mark and that consumers confused Defendants' credit scores with FICO credit scores as a result."

So what we had was copying and actual confusion. That was evidence in the record that you had at summary judgment. That supports -- and of course copying and actual confusion supports the secondary -- the fact that there might be secondary meaning. That's what the Court found in this case and that's what we went forward on.

Finally, your Honor, on the licensee estoppel issue, again, the theory here with regard to VantageScore is in fact an agency theory and the black-letter law of agency is that an agent should not be allowed to do what its principal cannot do. You can't get a couple parties together and say, "Well, we're legally precluded from doing X" --

THE COURT: What's the evidence, though, that VantageScore is an agent --

MR. SCHUTZ: The documents that are -- and I don't have the record cite in front of me, but at least one or more of the formation documents for VantageScore is in the record. And also clearly in the record -- and this is from -- I guess I do have a cite here. "VantageScore was under absolute control of the CRAs." It's on slide 3, testimony by Mr. Burns that came in through deposition. He was asked at his deposition who controls VantageScore.

THE COURT: What about the point that was made, though, that Equifax also would have had an equal control over, if I buy your agency theory? We have another player here, don't we?

MR. SCHUTZ: Well, I don't think Equifax could challenge the market either. I mean, I don't -- first of all, I don't think Equifax could have -- let me rephrase that, your Honor.

VantageScore, even though there was another party involved, three parties as opposed to two, I don't think that changes the scenario here that they're an agent of the credit bureaus and they should not be allowed to do what the credit bureaus themselves cannot do. And if Equifax were in here arguing that they should be able to challenge the validity of the mark, I'd be making exactly the same -- through its agent,

I'd be making exactly the same argument.

And the authority that they cite from *McCarthy* on licensee estoppel cannot be argued by someone closely affiliated. This is not a case where VantageScore is closely affiliated. This is a case where VantageScore is controlled by the credit bureaus, not merely closely affiliated.

Finally, your Honor, last point I'd like to make is that one of the things that distinguishes our case from many of the cases cited by the defendants is that we also had extensive common-law rights here, and that was frequently not the case in many of the cases they cite with their brief.

And I thank your Honor for your time.

THE COURT: All right.

Mr. Milne, do --

MR. MILNE: May I just respond briefly?

THE COURT: One minute.

MR. MILNE: With respect to this issue of agency, I don't think you're going to find anything in the record -- I'm not aware that it would exist in any context -- that would suggest that VantageScore, LLC is in some manner an agent for the credit bureaus with respect to the use of a 300-850 trademark. I mean, there's no suggestion of VantageScore, LLC being an agent for any purpose, but even if you did hypothetically have that scenario, you have an issue of for what purpose? And there's no suggestion that

VantageScore, LLC was in any manner set up to sort of assist any individual credit bureau in using some scoring range that allegedly would infringe with some Fair Isaac score, so I would point that out.

And then Mr. Schutz's point about how Fair Isaac had never really -- had been very discrete about 330-830 and 300-850 being infringing, I would just point to Exhibit 114, which I guess I can put up here. This is the letter that was sent to Experian -- and I believe a similar letter was sent to TransUnion -- and it's crystal clear that Fair Isaac was taking the position that it wasn't just 501-990 or 330-830 that infringed, but in fact they took the position that anything that took the form of three digits to three digits infringed, and certainly anything that overlapped even by -- where even part of the range overlapped 300-850. That's the position they took and that's the position they've taken throughout this litigation.

THE COURT: All right.

Thank you, counsel. I will take the matter under advisement. Obviously there's a number of different motions here that I'll be addressing.

Mr. Gardner, you look like a man that has to say something here.

MR. GARDNER: As long as we're all here, which doesn't happen that often, one housekeeping matter. I just

want to make it clear for the record that with respect to TransUnion's separate petition for attorneys' fees, we also would agree and would be happy to produce all of the documents that support --

THE COURT: Billing records? Is that what we're talking about?

MR. GARDNER: Yeah, billing records to the Court, outside counsel only, and we'd like some acknowledgment that it won't be a waiver of the attorney-client privilege.

THE COURT: All right. We'll make note of that and if I get to that issue, we'll deal --

MR. GARDNER: Fine. And then I just would note, as long as I'm here, also that as far as the rate is concerned, we'd be happy to accept the same rates that Robins Kaplan uses without even knowing their rates.

(Laughter)

THE COURT: All right. I feel like I'm dealing with my receivership issues and rates all over again. I've seen more billing records in the last six months than I'd seen in my life prior to that.

I am going to take these matters under advisement. Obviously there's a number of motions to be addressed. However, I'm not going to be able to get you an order -- so you don't need to be checking your CM/ECF mailings -- any time prior to April 7th. I know I'm going to be doing some

teaching in Africa for the U.N., so I'm going to be gone for a big chunk of time, longer than I've ever been gone in my career before, but I will be back. Obviously John will be starting the process of work while I'm gone, but don't expect to see an order prior to then.

I will tell you you don't need to be preparing for another trial real soon. If I have to do this again, some other judge is going to have to tell me that I have to do it all over again, so I won't deal with any issues of amended judgment or anything else, but I'm not going to throw myself on that spear. Somebody's going to have to throw me there. So the motion for new trial will not be granted, but we'll get you an order that deals with all the other issues as soon as we can, probably toward the end of April.

Anything further?

(No response)

THE COURT: All right. Thank you.

(Proceedings concluded at 3:07 p.m.)

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C E R T I F I C A T E

I, **TIMOTHY J. WILLETTE**, Official Court Reporter for the United States District Court, do hereby certify that the foregoing pages are a true and accurate transcription of my shorthand notes, taken in the aforementioned matter, to the best of my skill and ability.

/s/ Timothy J. Willette

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